

**REPORT OF THE AUDIT OF THE  
GALLATIN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE**  
**GALLATIN COUNTY FISCAL COURT**

**June 30, 2004**

The Auditor of Public Accounts has completed the audit of the Gallatin County Fiscal Court for fiscal year ended June 30, 2004.

We have issued an unqualified opinion on the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin County, Kentucky.

**Financial Condition:**

The fiscal court had total net assets of \$3,457,120 as of June 30, 2004. The fiscal court had unrestricted net assets of \$2,282,896 in its governmental activities as of June 30, 2004. The fiscal court had total debt principal as of June 30, 2004 of \$611,827 with \$57,523 due within the next year.

**Report Comments:**

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The County Should Present A List Of Individual Claims To The Fiscal Court For Approval
- The County Should Maintain Timesheets On All Employees With The Exception Of Elected Officials



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable George W. Zubaty, Gallatin County Judge/Executive  
Members of the Gallatin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Gallatin County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Gallatin County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable George W. Zubaty, Gallatin County Judge/Executive  
Members of the Gallatin County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gallatin County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 1, 2005, on our consideration of Gallatin County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The County Should Present A List Of Individual Claims To The Fiscal Court For Approval
- The County Should Maintain Timesheets On All Employees With The Exception Of Elected Officials

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
April 1, 2005



## GALLATIN COUNTY OFFICIALS

For The Year Ended June 30, 2004

### **Fiscal Court Members:**

George W. Zubaty	County Judge/Executive
Jim Campbell	Magistrate
Ken McFarland	Magistrate
Tom Ellis	Magistrate
Eric Moore	Magistrate

### **Other Elected Officials:**

John G. Wright	County Attorney
Jerry Webb	Jailer
Tracy Miles	County Clerk
Sue O'Connor	Circuit Court Clerk
Nelson Brown	Sheriff
Vesta Moore	Property Valuation Administrator
Brian Lowder	Coroner

### **Appointed Personnel:**

Lesa Bullard	County Treasurer
Lesa Bullard	Occupational Tax Administrator
Elaine Lillard	Finance Officer



# Gallatin County Fiscal Court

*Magistrates*  
Eric Moore  
Tom Ellis  
James Campbell  
Kenny McFarland

*P.O. Box 144  
Warsaw, Kentucky 41095  
859-567-5691*

*George W. Zubaty  
Judge/Executive  
John G. Wright  
County Attorney*

## **Gallatin County Management's Discussion and Analysis June 30, 2004**

The financial management of Gallatin County, Kentucky offers readers of Gallatin County's financial statements this narrative overview and analysis of the financial activities of Gallatin County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our financial statements and the notes to the financial statements.

### **Financial Highlights**

- Gallatin County had total net assets of \$3,457,120 as of June 30, 2004. The fiscal court had unrestricted net assets of \$2,282,896 in its' governmental activities as of June 30, 2004. Total debt principal as of June 30, 2004 was \$611,827 with \$57,523 due within one year.
- The government's total net assets decreased by \$91,966 from the prior year. This decrease is primarily due to depreciation expense.
- At the close of the current fiscal year, Gallatin County balance sheet reported a fund balance of \$2,282,896. Of this amount, \$2,269,742 is available for spending at the government's discretion (unreserved fund balance).
- Gallatin County's total indebtedness at the close of fiscal year June 30, 2004 was \$611,827, of which \$554,304 is long-term debt (due after 1 year) and \$57,523 is short-term debt (to be paid within 1 year). Debt additions were \$530,000 and debt reductions were \$23,758 for a net increased of \$506,242 during the year. Gallatin County entered into two new lease agreements for Mars and SugarBay road improvements.
- In addition, Gallatin County purchased a motor grader at the cost of \$90,820. Gallatin County also purchased a 2004 Ford Club Cab for the Road Dept. at the cost of \$29,600. Gallatin County also resurfaced various roads without incurring additional debt for these items at the cost of \$280,003.
- In July 2003, Gallatin County received an Ambulance Grant in the amount of \$11,133 to use toward a purchase or lease of an ambulance that we have the option to use within this fiscal year or to carry-over and combine with next fiscal year's grant toward purchase/lease of ambulance. Gallatin County also received a grant for Search & Rescue/EOP's in the amount of \$14,874 for equipment.

**Gallatin County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to Gallatin County's basic financial statements. Gallatin County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Gallatin County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Gallatin County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Gallatin County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expense on capital assets in the government-wide financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

The government-wide financial statements include only Gallatin County (known as the primary government).

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Gallatin County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Gallatin County are *governmental funds*.

Gallatin County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)

**Government-wide Financial Statements (Continued)**

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Gallatin County maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, 911 Fund, and Ambulance Fund, all of which are considered major funds by the County. Local Government Economic Assistance Fund, Jail fund, 911 Wireless Fund, County Police Fund, and Tourism Fund are considered non-major funds and are represented in a combined form.

Gallatin County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Gallatin County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Government-wide Financial Analysis.**

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1  
County's Net Assets**

	<b>Governmental Activities</b>		<b>Total</b>	
	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>
<b>Assets</b>				
Current and other assets	\$ 2,671,873	\$ 2,282,896	\$ 2,671,873	\$ 2,282,896
Capital Assets	996,800	1,786,051	996,800	1,786,051
Total Assets	3,668,673	4,068,947	3,668,673	4,068,947
<b>Liabilities</b>				
Current and other liabilities	14,676	57,523	14,676	57,523
Long-term liabilities	105,585	554,304	105,585	554,304
Total Liabilities	120,261	611,827	120,261	611,827
<b>Net Assets</b>				
Invested in capital assets, net of related debt	876,539	1,174,224	876,539	1,174,224
Unrestricted	2,671,873	2,282,896	2,671,873	2,282,896
Total Net Assets	<u>\$ 3,548,412</u>	<u>\$ 3,457,120</u>	<u>\$ 3,548,412</u>	<u>\$ 3,457,120</u>

**Changes in Net Assets.**

*Governmental Activities.* Gallatin County's net assets decreased by \$91,966 in fiscal year 2004. Key elements of this are as follows:

- Current assets and cash decreased \$388,977.
- Investment in capital assets, net of related debt increased \$297,685 primarily due to additions to infrastructure assets.
- Current and long-term liabilities increased by \$491,566.
- Revenues were \$2,022,955 as reflected in the Statement of Activities.
- Expenditures totaled \$2,114,921 as reflected in the Statement of Activities.

**Gallatin County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Financial Analysis of the County's Funds.**

As noted earlier, Gallatin County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds Overview.* The focus of Gallatin County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2004 fiscal year, the combined ending fund balance of County governmental funds was \$2,282,896. Approximately 99% (\$2,269,742) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$13,154) is reserved to indicate that it is not available for new spending because it is committed.

The County has 4 major governmental funds. These are: 1) General Fund; 2) Road Fund; 3) Ambulance Fund; 4) 911 Fund. There are 5 non-major funds. They are the 911 Wireless Fund, Jail Fund, Local Government Economic Assistance (LGEA) Fund, County Police Fund, and Tourism Fund.

1. The General Fund is the chief operating fund of Gallatin County. At the end of the June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$455,178, while total fund balance was \$455,859. The county received \$367,694 in Real Property tax revenues. This accounts for approximately 46% of the general fund revenue. \$394,929 was received from other taxes that includes motor vehicle, delinquent tax, deed transfer tax, and in lieu of tax payments and accounts for approximately 50% of the county's general fund revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$1,618,641 in fund balance at June 30, 2004. The fund balance at the end of the previous year was \$1,863,674. The fiscal year 2004 expenditures included major equipment purchases of motor grader and 2004 club cab truck as well as various road paving.
3. The Jail Fund is primarily funded by transfers from the LGEA and General Fund. The Jail Fund had a fund balance at June 30, 2004 of \$9,000 of which \$7,617 was unreserved. That is a decrease in fund balance of \$11,395 over the previous fiscal year end. All in all the Jail mainly transports prisoners and houses them at the Carroll County Detention Center at a cost of \$184,977. The General Fund and LGEA combined, contributed \$130,000 to the jail operations.

**Gallatin County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Financial Analysis of the County's Funds. (Continued)**

4. The Local Government Economic Assistance Fund had a fund balance of \$72,599, a decrease of \$61,687 over the previous fiscal year end. This is mainly due to a decrease in revenues from Mineral Severance Tax.
5. The Ambulance Fund is used to provide EMS services to the residents of Gallatin County. Gallatin County had a fund balance of \$57,173, as of June 30, 2004. Ambulance collections decreased and the services provided at the Kentucky Speedway were eliminated. Therefore, the county transferred \$100,000 toward the ambulance fund. The county received \$11,133 in a state grant for purchase/lease of ambulance.
6. The County Police Fund had a fund balance of \$2,072 as of June 30, 2004. This fund is not a self-supporting fund; this fund will be combined into the General Fund.
7. The 911 Fund had a fund balance of \$22,349 as of June 30, 2004 which is a decrease of \$10,332 from the prior year. Revenues were down by \$38,065 and expenditures were down by approximately \$27,006. The 911 Fund also finances the debt for the communications equipment with a total principal balance of \$74,869 as of June 30, 2004.
8. The 911 Wireless Fund had a fund balance of \$29,199 as of June 30, 2004 which is an increase of \$18,584 from the prior year. It is supported primarily from revenues from CMRS for wireless calls. CMRS revenues increased by approximately \$33,189 from the prior year.
9. The Tourism Fund had a fund balance of \$16,004 as of June 30, 2004, which is an increase of \$14,115 from the prior year. This is a result of an increase in Transient Room Tax revenue totaling approximately \$14,000.

**General Fund Budgetary Highlights.**

The County's original budget was amended during the fiscal year increasing the operating budget by \$104,874. Budget amendments were made to all areas due to excess revenue and grants.

Actual operating revenues were \$37,307 more than amount originally budgeted by Fiscal Court. This increase was primarily from excess taxes and grants.

Actual operating expenditures were \$174,745 less than amount originally budgeted by Fiscal Court.



**Gallatin County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

**Capital Assets and Debt Administration.**

*Capital Assets.* Gallatin County's investment in capital assets for its governmental type activities as of June 30, 2004, amounts to \$1,786,051 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment, vehicles and current year infrastructure additions.

Major capital asset events during the 2004 fiscal year include the purchase of a Motor Grader, 2004 Club Cab Truck and paving various roads within the county.

Additional information on the County's capital assets can be found in Note 3 of this report.

	<b>Governmental Activities</b>		<b>Total</b>	
	2003	2004	2003	2004
Infrastructure Assets	\$ 0	\$ 749,445	\$0	\$749,445
Land	330,000	330,000	330,000	330,000
Bldgs.& Improvements	231,550	221,613	231,550	221,613
Vehicles	274,738	260,862	274,738	260,862
Equipment	160,512	224,131	160,512	224,131
Total Net Capital Assets	\$ 996,800	\$ 1,786,051	\$ 996,800	\$1,786,051

*Long-Term Debt.* At the end of the 2004 fiscal year, Gallatin County had total long-term debt outstanding of \$611,827. The amount of this debt due within the next year is \$57,523 and \$554,304 is due in subsequent years. This debt is for the 911 equipment, sheriff cruiser, and Mars & Sugar Bay road improvements. This debt is described in Note 5 of the notes to the financial statements.

**Other matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2004 fiscal year budget:

- The 2004 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

**Requests For Information.**

This financial report is designed to provide a general overview of Gallatin County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Gallatin County Treasurer, PO Box 144 (200 Washington Street), Warsaw, KY 41095.

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**GALLATIN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2004**



**GALLATIN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2004**

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 2,282,896
Total Current Assets	<u>2,282,896</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land	330,000
Buildings and Improvements	221,613
Vehicles	260,862
Equipment	224,131
Infrastructure Assets - Net of Depreciation	<u>749,445</u>
Total Noncurrent Assets	<u>1,786,051</u>
Total Assets	<u>4,068,947</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Financial Obligations Payable	57,523
Noncurrent Liabilities:	
Financial Obligations Payable	<u>554,304</u>
Total Liabilities	<u>611,827</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	1,174,224
Unrestricted	<u>2,282,896</u>
Total Net Assets	<u><u>\$ 3,457,120</u></u>

The accompanying notes are an integral part of the financial statements.

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**GALLATIN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**

**GALLATIN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

		<u>Program Revenues Received</u>	
<b>Functions/Programs</b>			
<b>Reporting Entity</b>	<b>Expenses</b>	<b>Charges for</b>	<b>Operating</b>
		<b>Services</b>	<b>Grants and</b>
			<b>Contributions</b>
<b>Primary Government:</b>			
Governmental Activities:			
General Government	\$ 864,800	\$ 21,121	\$ 60,006
Protection to Persons and Property	809,162	289,356	271,006
General Health and Sanitation	29,703	11,507	
Social Services	9,342		
Recreation and Culture	39,323		6,900
Roads	362,591	3,695	527,999
Total Governmental Activities	<u>2,114,921</u>	<u>325,679</u>	<u>865,911</u>
Total Primary Government	<u>\$ 2,114,921</u>	<u>\$ 325,679</u>	<u>\$ 865,911</u>
<b>General Revenues:</b>			
Taxes:			
Real Property Taxes			
Personal Property Taxes			
Motor Vehicle Taxes			
Other Taxes			
Excess Fees			
Miscellaneous Revenues			
Accrued Interest Received			
Total General Revenues			
Change in Net Assets			
Net Assets - Beginning (Restated)			
Net Assets - Ending			

The accompanying notes are an integral part of the financial statements.



**GALLATIN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>	
<b>Primary Government</b>	
<b>Governmental Activities</b>	<b>Totals</b>
\$ (783,673)	\$ (783,673)
(248,800)	(248,800)
(18,196)	(18,196)
(9,342)	(9,342)
(32,423)	(32,423)
169,103	169,103
<u>(923,331)</u>	<u>(923,331)</u>
<u>(923,331)</u>	<u>(923,331)</u>
367,694	367,694
9	9
73,215	73,215
260,046	260,046
61,668	61,668
23,869	23,869
44,864	44,864
<u>831,365</u>	<u>831,365</u>
<u>(91,966)</u>	<u>(91,966)</u>
<u>3,549,086</u>	<u>3,549,086</u>
<u>\$ 3,457,120</u>	<u>\$ 3,457,120</u>

The accompanying notes are an integral part of the financial statements.

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**GALLATIN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2004**

**GALLATIN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2004**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Ambulance Fund</u>	<u>911 Fund</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 455,859	\$ 1,618,641	\$ 57,173	\$ 22,349
Total Assets	<u>\$ 455,859</u>	<u>\$ 1,618,641</u>	<u>\$ 57,173</u>	<u>\$ 22,349</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	\$ 681	\$ 7,973	\$ 2,979	\$
Unreserved:				
General Fund	455,178			
Special Revenue Funds		1,610,668	54,194	22,349
Total Fund Balances	<u>\$ 455,859</u>	<u>\$ 1,618,641</u>	<u>\$ 57,173</u>	<u>\$ 22,349</u>

The accompanying notes are an integral part of the financial statements.

**GALLATIN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2004**  
**(Continued)**

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 128,874</u>	<u>\$ 2,282,896</u>
<u>\$ 128,874</u>	<u>\$ 2,282,896</u>
\$ 1,521	\$ 13,154
	455,178
<u>127,353</u>	<u>1,814,564</u>
<u>\$ 128,874</u>	<u>\$ 2,282,896</u>

**Reconciliation of the Balance Sheet -Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 2,282,896
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	2,367,141
Accumulated Depreciation	(581,090)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	<u>(611,827)</u>
Net Assets Of Governmental Activities	<u>\$ 3,457,120</u>

The accompanying notes are an integral part of the financial statements.

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**GALLATIN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

**GALLATIN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Ambulance Fund</u>	<u>911 Fund</u>
<b>REVENUES</b>				
Taxes	\$ 491,539	\$	\$	\$ 83,192
In Lieu of Taxes	109,158			
Excess Fees	61,668			
Licenses and Permits	20,460			
Intergovernmental	62,689	527,999	11,133	17,500
Charges for Services	11,507	2,239	285,752	
Miscellaneous	30,507	2,370	1,805	
Interest	10,530	31,633	253	105
Total Revenues	<u>798,058</u>	<u>564,241</u>	<u>298,943</u>	<u>100,797</u>
<b>EXPENDITURES</b>				
General Government	445,396			
Protection to Persons and Property	77,130		335,034	147,096
General Health and Sanitation	28,703			
Social Services	8,898			
Recreation and Culture	800			
Roads		1,203,867		
Administration	332,052	21,059	28,026	14,033
Total Expenditures	<u>892,979</u>	<u>1,224,926</u>	<u>363,060</u>	<u>161,129</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(94,921)</u>	<u>(660,685)</u>	<u>(64,117)</u>	<u>(60,332)</u>
<b>Other Financing Sources (Uses)</b>				
Debt Proceeds		530,000		
Transfers from Other Funds	316,930	202,082	100,000	50,000
Transfers to Other Funds	(326,730)	(316,430)		
Total Other Financing Sources (Uses)	<u>(9,800)</u>	<u>415,652</u>	<u>100,000</u>	<u>50,000</u>
Net Change in Fund Balances	(104,721)	(245,033)	35,883	(10,332)
Fund Balances - Beginning (Restated)	560,580	1,863,674	21,290	32,681
Fund Balances - Ending	<u>\$ 455,859</u>	<u>\$ 1,618,641</u>	<u>\$ 57,173</u>	<u>\$ 22,349</u>

The accompanying notes are an integral part of the financial statements.



**GALLATIN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 17,021	\$ 591,752
	109,158
	61,668
	20,460
238,663	857,984
	299,498
3,563	38,245
2,343	44,864
<u>261,590</u>	<u>2,023,629</u>
	445,396
243,109	802,369
	28,703
	8,898
34,895	35,695
	1,203,867
8,506	403,676
<u>286,510</u>	<u>2,928,604</u>
<u>(24,920)</u>	<u>(904,975)</u>
	530,000
150,000	819,012
<u>(175,852)</u>	<u>(819,012)</u>
<u>(25,852)</u>	<u>530,000</u>
(50,772)	(374,975)
179,646	2,657,871
<u>\$ 128,874</u>	<u>\$ 2,282,896</u>

The accompanying notes are an integral part of the financial statements.

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**GALLATIN COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**



**GALLATIN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2004**

Net Change in Fund Balances - Total Governmental Funds	\$ (374,975)
--	--------------

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the  
Statement of Activities the cost of those assets are allocated over their  
estimated useful lives and reported as depreciation expense.

Capital Outlay	930,423
Depreciation Expense	(141,172)

The issuance of long-term debt provides current financial resources to  
governmental funds while the repayment of principal on long-term debt  
consumes the current financial resources of governmental funds. These  
transactions, however, have no effect on net assets.

Debt Proceeds	(530,000)
---------------	-----------

Debt principal payments are expensed in the Governmental Funds  
as a use of current financial resources.

Financing Obligations	23,758
-----------------------	--------

Change in Net Assets of Governmental Activities	\$ (91,966)
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**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2004**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government wide and fund financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Gallatin County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14 and GASB 39, there are no component units which merit consideration as part of the reporting entity.

**C. Gallatin County Elected Officials Not Part Of Gallatin County, Kentucky**

Kentucky law provides for election of the officials below from the geographic area constituting Gallatin County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Gallatin County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Gallatin County has no proprietary or fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.



**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these revenues and expenditures separately from the General Fund.

Ambulance Fund - This fund accounts for ambulance services provided to the residents of Gallatin County. The primary source of revenue comes from ambulance services.

911 Fund - This fund accounts for 911 services provided to the residents of Gallatin County. The 911 tax revenue is the primary source of revenue. The fund also relies on contributions from the City of Sparta, Glencoe, Warsaw, and from interfund transfers.

The primary government also has the following non-major funds: Jail Fund, LGEA Fund, County Police Fund, 911 Wireless Fund, and Tourism Fund. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

The Road Fund, Jail Fund, LGEA Fund, Ambulance Fund, County Police Fund, 911 Fund, 911 Wireless Fund, and Tourism Fund are presented as special revenue funds.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land	Capitalize Only	
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-75
Construction In Progress	Capitalize Only	
Machinery and Equipment	\$ 5,000	3-25
Vehicle	\$ 5,000	5-15
Infrastructure	\$ 20,000	2-40

**G. Long-term Obligations**

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations is reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, there are no related organizations for Gallatin County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Gallatin County Fiscal Court: Tri-County Kentucky Airport Board.

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 2. Deposits**

The county maintained deposits of public funds with three depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into written agreements with each depository institution and met requirements (a), (b), and (c) stated above. However, as of August 31, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$160,833 of public funds uninsured and unsecured at one of the institutions.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 2003.

	<u>Bank Balance</u>
Insured by FDIC	\$ 100,000
Collateralized with securities held by the county's agent in the county's name	289,523
Uncollateralized and uninsured	<u>160,833</u>
Total	<u><u>\$ 550,356</u></u>

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 330,000	\$	\$	\$ 330,000
Total Capital Assets Not Being Depreciated	330,000			330,000
Capital Assets, Being Depreciated:				
Buildings	397,000			397,000
Vehicles	488,761	29,600		518,361
Equipment	220,957	90,820		311,777
Infrastructure		810,003		810,003
Total Capital Assets Being Depreciated	1,106,718	930,423		2,037,141
Less Accumulated Depreciation For:				
Buildings	(165,450)	(9,937)		(175,387)
Vehicles	(214,023)	(43,476)		(257,499)
Equipment	(60,445)	(27,201)		(87,646)
Infrastructure		(60,558)		(60,558)
Total Accumulated Depreciation	(439,918)	(141,172)		(581,090)
Total Capital Assets, Being Depreciated, Net	666,800	789,251		1,456,051
Government Activities Capital Assets, Net	\$ 996,800	\$ 789,251	\$	\$ 1,786,051

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 16,403
Protection to Persons and Property	30,551
General Health and Sanitation	1,000
Social Services	444
Recreation and Culture	3,628
Roads, Including Depreciation of General Infrastructure Assets	89,146
Total Depreciation Expense - Governmental Activities	<u>\$ 141,172</u>

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 4. Short-term Debt**

In July 2003, Gallatin County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$291,000, with principal being due in January 2004. While the County did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$85.

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
Kentucky Advanced Revenue Program	\$ 0	\$ 291,000	\$ 291,000	\$ 0
Governmental Activities Short-term Liabilities	<u>\$ 0</u>	<u>\$ 291,000</u>	<u>\$ 291,000</u>	<u>\$ 0</u>

**Note 5. Long-term Debt**

The county has entered into the following capital lease-purchase agreements:

**A. Sheriff's Cruiser Lease-Purchase Agreement**

Description	Lease Term	Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
Sheriff's Cruiser	3 years	2005	\$ 435	\$ 6,958
Totals			<u>\$ 435</u>	<u>\$ 6,958</u>

**B. 911 Equipment Lease-Purchase Agreement**

Description	Lease Term	Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal	Scheduled Fees
911 Equipment	5 years	2005	\$ 1,605	\$ 17,792	\$ 449
		2006	1,102	18,395	308
		2007	582	19,019	163
		2008	45	19,663	13
			<u>\$ 3,334</u>	<u>\$ 74,869</u>	<u>\$ 933</u>

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**C. MARS Road Capital Lease-Purchase Agreement**

On May 27, 2004, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in order to finance the improvements of MARS Road so that it may be a part of the county road system. Payments of this debt are to be made by the property owners located on MARS Road. Payments are collected by Gallatin County and distributed to the Kentucky Association of Counties Leasing Trust (KACoLT) in order to meet the debt requirements. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease in fiscal year ending June 30, 2029, as shown in the following table.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>	<u>Scheduled Fees</u>
2005	\$ 8,819	\$	\$ 3,183
2006	7,848	10,000	2,837
2007	7,626	10,000	2,760
2008	7,418	10,000	2,687
2009	7,196	10,000	2,610
2010-2014	31,666	70,000	11,552
2015-2019	23,517	75,000	8,719
2020-2024	15,366	75,000	5,886
2025-2029	6,583	90,000	2,833
2030	37	20,000	22
	<u>\$ 116,076</u>	<u>\$ 370,000</u>	<u>\$ 43,089</u>

**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**D. Sugar Bay Road Capital Lease-Purchase Agreement**

On May 27, 2004, Gallatin County entered into a twenty-five year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) in order to finance the improvements of Sugar Bay Road so that it may be a part of the county road system. Payments of this debt are to be made by the property owners located on Sugar Bay Road. Payments are collected by Gallatin County and distributed to the Kentucky Association of Counties Leasing Trust (KACoLT) in order to meet the debt requirements. Interest is paid on a monthly basis and a principal payment is made annually until termination of the lease in fiscal year ending June 30, 2029, as shown in the following table.

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>	<u>Scheduled</u> <u>Fees</u>
2005	\$ 3,460	\$ 32,773	\$ 1,254
2006	2,767		1,009
2007	2,666	5,000	974
2008	2,561	5,000	936
2009	2,450	5,000	899
2010-2014	10,618	25,000	3,928
2015-2019	7,900	25,000	2,981
2020-2024	5,184	25,000	2,036
2025-2029	1,568	37,227	736
	<u>\$ 39,174</u>	<u>\$ 160,000</u>	<u>\$ 14,753</u>

**E. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Financing Obligations	<u>\$ 105,585</u>	<u>\$ 530,000</u>	<u>\$ 23,758</u>	<u>\$ 611,827</u>	<u>\$ 57,523</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 105,585</u>	<u>\$ 530,000</u>	<u>\$ 23,758</u>	<u>\$ 611,827</u>	<u>\$ 57,523</u>



**GALLATIN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 6. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Insurance**

For the fiscal year ended June 30, 2004, Gallatin County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 8. Gallatin County Industrial Authority Board**

During March 1997, the former Gallatin County Judge Executive appointed six people to the Gallatin County Industrial Authority. Two terms expired February 1998, two terms expired February 2000, and two terms expired February 2001. This account was closed in July 2003 and the balance of \$2,246 was deposited into the General Fund.

**Note 9. Changes in Accounting Principles and Prior Period Adjustments**

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the governmental type activities is an increase of \$877,213 due to capital assets and long-term debt previously not reported, as well as a \$674 increase due from a change in prior year surplus. The general fund beginning fund balance also increased as a result.

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**GALLATIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**

**GALLATIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2004**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 418,300	\$ 455,300	\$ 491,539	\$ 36,239
In Lieu Of Taxes	109,000	109,000	109,158	158
Excess Fees	7,717	60,717	61,668	951
Licenses and Permits	18,000	18,000	20,460	2,460
Intergovernmental Revenue	58,960	73,834	62,689	(11,145)
Charges for Services	16,400	16,400	11,507	(4,893)
Miscellaneous	14,000	14,000	30,507	16,507
Interest	13,500	13,500	10,530	(2,970)
Total Revenues	<u>655,877</u>	<u>760,751</u>	<u>798,058</u>	<u>37,307</u>
<b>EXPENDITURES</b>				
General Government	468,010	499,545	445,396	54,149
Protection to Persons and Property	94,700	110,792	77,130	33,662
General Health and Sanitation	28,400	30,299	28,703	1,596
Social Services	13,000	13,251	8,898	4,353
Recreation and Culture	800	800	800	
Administration	400,320	413,037	332,052	80,985
Total Expenditures	<u>1,005,230</u>	<u>1,067,724</u>	<u>892,979</u>	<u>174,745</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(349,353)</u>	<u>(306,973)</u>	<u>(94,921)</u>	<u>212,052</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	114,700	114,700	316,930	202,230
Transfers To Other Funds	(118,400)	(118,400)	(326,730)	(208,330)
Total Other Financing Sources (Uses)	<u>(3,700)</u>	<u>(3,700)</u>	<u>(9,800)</u>	<u>(6,100)</u>
Net Changes in Fund Balance	(353,053)	(310,673)	(104,721)	205,952
Fund Balance - Beginning	<u>353,053</u>	<u>353,053</u>	<u>560,580</u>	<u>207,527</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 42,380</u>	<u>\$ 455,859</u>	<u>\$ 413,479</u>

**GALLATIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 494,500	\$ 494,500	\$ 527,999	\$ 33,499
Charges For Services	500	500	2,239	1,739
Miscellaneous	1,000	1,000	2,370	1,370
Interest	50,500	50,500	31,633	(18,867)
Total Revenues	546,500	546,500	564,241	17,741
<b>EXPENDITURES</b>				
Roads	1,006,200	1,010,730	673,867	336,863
Capital Projects	647,000	647,000		647,000
Administration	53,780	53,780	21,059	32,721
Total Expenditures	1,706,980	1,711,510	694,926	1,016,584
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,160,480)	(1,165,010)	(130,685)	1,034,325
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds			202,082	202,082
Transfers To Other Funds	(114,700)	(114,700)	(316,430)	(201,730)
Total Other Financing Sources (Uses)	(114,700)	(114,700)	(114,348)	352
Net Changes in Fund Balance	(1,275,180)	(1,279,710)	(245,033)	1,034,677
Fund Balance - Beginning	1,275,180	1,275,180	1,863,674	588,494
Fund Balance - Ending	\$ 0	\$ (4,530)	\$ 1,618,641	\$ 1,623,171

**GALLATIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	<b>AMBULANCE FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$	\$ 11,133	\$ 11,133	\$
Charges for Services	230,000	230,000	285,752	55,752
Miscellaneous	200	200	1,805	1,605
Interest	100	100	253	153
Total Revenues	230,300	241,433	298,943	57,510
<b>EXPENDITURES</b>				
Protection to Persons and Property	299,200	356,293	335,034	21,259
Administration	49,500	29,540	28,026	1,514
Total Expenditures	348,700	385,833	363,060	22,773
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(118,400)	(144,400)	(64,117)	80,283
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	118,400	118,400	100,000	(18,400)
Total Other Financing Sources (Uses)	118,400	118,400	100,000	(18,400)
Net Changes in Fund Balance		(26,000)	35,883	61,883
Fund Balance - Beginning			21,290	21,290
Fund Balance - Ending	\$ 0	\$ (26,000)	\$ 57,173	\$ 83,173

**GALLATIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>911 FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 85,000	\$ 85,000	\$ 83,192	\$ (1,808)
Intergovernmental Revenue	50,000	50,000	17,500	(32,500)
Interest	100	100	105	5
Total Revenues	135,100	135,100	100,797	(34,303)
<b>EXPENDITURES</b>				
General Government				
Protection to Persons and Property	139,850	153,100	147,096	6,004
Administration	20,250	17,000	14,033	2,967
Total Expenditures	160,100	170,100	161,129	8,971
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(25,000)	(35,000)	(60,332)	(25,332)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	25,000	25,000	50,000	25,000
Total Other Financing Sources (Uses)	25,000	25,000	50,000	25,000
Net Changes in Fund Balances		(10,000)	(10,332)	(332)
Fund Balances - Beginning			32,681	32,681
Fund Balances - Ending	\$ 0	\$ (10,000)	\$ 22,349	\$ 32,349

**GALLATIN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2004**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation of Road Fund Budgetary Comparison Schedule to  
the Statement of Revenues, Expenditures, and Changes  
in Fund Balance**

Total Other Financing Sources (Uses)	
- Budgetary Basis	\$ (114,348)
Add: Debt Proceeds	<u>530,000</u>
Total Other Financing Sources (Uses)	
- Modified Cash Basis	<u><u>\$ 415,652</u></u>
Total Expenditures	
- Budgetary Basis	\$ 694,926
Add: Capital Outlay - Roads	<u>530,000</u>
Total Expenditures	
- Modified Cash Basis	<u><u>\$ 1,224,926</u></u>



**GALLATIN COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2004**

**GALLATIN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2004**

	<u><b>Jail Fund</b></u>	<u><b>LGEA Fund</b></u>	<u><b>County Police Fund</b></u>	<u><b>911 Wireless Fund</b></u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 9,000	\$ 72,599	\$ 2,072	\$ 29,199
Investments				
Total Assets	<u>9,000</u>	<u>72,599</u>	<u>2,072</u>	<u>29,199</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	1,383	138		
Unreserved:				
Special Revenue Funds	<u>7,617</u>	<u>72,461</u>	<u>2,072</u>	<u>29,199</u>
Total Fund Balances	<u>\$ 9,000</u>	<u>\$ 72,599</u>	<u>\$ 2,072</u>	<u>\$ 29,199</u>

**GALLATIN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2004**  
**(Continued)**

<b>Tourism Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 16,004	\$ 128,874
<u>16,004</u>	<u>128,874</u>
	1,521
<u>16,004</u>	<u>127,353</u>
<u>\$ 16,004</u>	<u>\$ 128,874</u>

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**GALLATIN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**

**GALLATIN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2004**

	<b>Jail Fund</b>	<b>LGEA Fund</b>	<b>County Police Fund</b>	<b>911 Wireless Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$
Intergovernmental	43,179	151,680		43,804
Miscellaneous	272	1,500	35	
Interest	131	2,071	42	67
Total Revenues	<u>43,582</u>	<u>155,251</u>	<u>77</u>	<u>43,871</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	180,854	34,941	27,027	287
Recreation and Culture		30,701		
Administration	4,123	944	3,439	
Total Expenditures	<u>184,977</u>	<u>66,586</u>	<u>30,466</u>	<u>287</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(141,395)</u>	<u>88,665</u>	<u>(30,389)</u>	<u>43,584</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	130,000		20,000	
Transfers to Other Funds		(150,352)		(25,000)
Total Other Financing Sources (Uses)	<u>130,000</u>	<u>(150,352)</u>	<u>20,000</u>	<u>(25,000)</u>
Net Change in Fund Balances	(11,395)	(61,687)	(10,389)	18,584
Fund Balances - Beginning	20,395	134,286	12,461	10,615
Fund Balances - Ending	<u>\$ 9,000</u>	<u>\$ 72,599</u>	<u>\$ 2,072</u>	<u>\$ 29,199</u>

**GALLATIN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Tourism Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 17,021	\$ 17,021
	238,663
1,756	3,563
32	2,343
<u>18,809</u>	<u>261,590</u>
	243,109
4,194	34,895
	<u>8,506</u>
<u>4,194</u>	<u>286,510</u>
 <u>14,615</u>	 <u>(24,920)</u>
	150,000
<u>(500)</u>	<u>(175,852)</u>
<u>(500)</u>	<u>(25,852)</u>
14,115	(50,772)
1,889	179,646
<u>\$ 16,004</u>	<u>\$ 128,874</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable George W. Zubaty, Gallatin County Judge/Executive  
Members of the Gallatin County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gallatin County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated April 1, 2005. Gallatin County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gallatin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Gallatin County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying comments and recommendations.

- The County Should Present A List Of Individual Claims To The Fiscal Court For Approval
- The County Should Maintain Timesheets On All Employees With The Exception Of Elected Officials

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable conditions described above are material weaknesses.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gallatin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The County Should Present A List Of Individual Claims To The Fiscal Court For Approval
- The County Should Maintain Timesheets On All Employees With The Exception Of Elected Officials

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
April 1, 2005

## **COMMENTS AND RECOMMENDATIONS**



**GALLATIN COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Fiscal Year Ended June 30, 2004**

NONCOMPLIANCE

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

---

On August 31, 2003, \$160,833 of the county's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*County Judge/Executive George W. Zubaty's Response:*

*Notified bank immediately on find. The Treasurer will check throughout the year & when deposits increase make calls to verify enough collateral is pledged.*

NONCOMPLIANCE AND REPORTABLE CONDITION

The County Should Present A List Of Individual Claims To The Fiscal Court For Approval

Pursuant to KRS 68.275, "the county judge/executive shall present all claims to the fiscal court for review prior to payment and the court, for good cause shown, may order that a claim not be paid." During our audit, we noted that for most of the year, there was only a voucher account summary list presented. We recommend that beginning immediately, a list of individual claims be presented to the fiscal court for approval.

*County Judge/Executive George W. Zubaty's Response:*

*If you mean a detailed listing, I can and have done that in the past. It creates so much paper that I started doing the check summary report.*

The County Should Maintain Timesheets On All Employees With The Exception Of Elected Officials

During our test of payroll, we noted that timesheets were not consistently maintained. Per KRS 337.320, "Every employer shall keep a record of the hours worked each day and each week by each employee as defined by 337.010." This excludes elected officials. We recommend that these records be maintained for all county personnel with the exception of elected officials.

*County Judge/Executive George W. Zubaty's Response:*

*This has been corrected. The last audit of 03 showed this statement.*

**GALLATIN COUNTY  
COMMENTS AND RECOMMENDATIONS  
For The Fiscal Year Ended June 30, 2004**

PRIOR YEAR FINDINGS

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

---

Auditor's Response: County does have written agreements with each of its three depository institutions; however, one institution had insufficient securities pledged as of August 31, 2003.

The County Should Present A List Of Individual Claims To The Fiscal Court For Approval

Auditor's Response: County stated in exit conference dated May 19, 2004 that they would begin this practice immediately. However, auditor noted individual claims were not issued subsequent to May 19, 2004.



**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**GALLATIN COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**



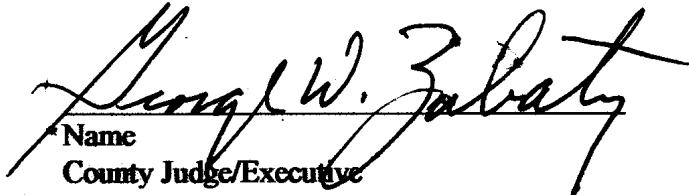
**CERTIFICATION OF COMPLIANCE**


**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**GALLATIN COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2004**

The Gallatin County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Name  
County Judge/Executive

  
Name  
County Treasurer